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Agreements with Poland in the field of natural gas are initialled

October 18, 2010

The Russian company Gazprom Export, Polish PGNiG, Gaz-System and their respective joint venture company EuRoPol Gaz have agreed on the supply of gas to Poland as well as the transit of gas, to Europe through Poland. The talks were held in Moscow involving representatives of both governments as well as the European Commission.

The signatory parties initialled the following draft documents:

The duration of the contracts for the supply of Russian gas to Poland and the transit of gas in the Yamal-Europe pipeline through Poland remain unchanged (with the contracts lasting until 2022 and 2019, respectively). A gradual increase of Russian gas supplies to Poland, to 9.7 billion cubic meters in 2010, and up to 11 billion cubic meters in 2012 was agreed upon and the parties also agreed that they would seek to extend the length of the gas transit contract.

The principles for determining the tariff rates for gas transit were also agreed upon and these will be determined by "EuRoPol Gaz" and agreed with the Polish regulator. In addition, "EuRoPol Gaz" and "Gazprom export" settled the issues of payments for gas transited through Poland for the period of 2006-2009.

Moreover, the parties would like to highlight the fact that the management issues of EuRoPol Gaz have been resolved. The parties agreed on the process of aligning the structure of Gazprom's and PGNiG's equity stakes in the company to 50% each, respectively, and on the principles of parity control of the joint venture EuRoPol Gaz company.

The terms of the Agreement of the duties of the operator of the Polish section of Yamal-Europe were agreed upon and signed, according to which the technical operator of the pipeline will be the Polish state-owned Gaz-System (OGP Gaz-System s.a). In addition, the agreement on the responsibilities of the operator establishes a procedure for third party access but only to the spare capacity in the pipeline.

The Polish and Russian governments are expected to agree and sign the relevant inter-governmental documents, which will form the legal basis for the conclusion of the inter-company agreements.

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IN THIS ISSUE

Eastward Bound: Opening up New Horizons	Pg. 1
Strategic Expansion in the Asia-Pacific Region	Pg. 2
Record Operations for Blue Stream	Pg. 3
15 Cargoes of LNG to be Purchased From GDF SUEZ	Pg. 3
EU Third Energy Package Implementation Should Focus on Transparency and Investor Relations	Pg. 4
Natural Gas: Environmentally-Friendly Energy	Pg. 5
Gazprom Marketing & Trading Acquires TruRead: A Leading U.K. Smart Metering Company	Pg. 6
Gazprom-Infinite Earth Carbon Credit Deal is a Game Changer in Forest Conservation	Pg. 6
WINGAS Storage Received Consent for Saltfleetby Development	Pg. 7
DEMEX Launches CNG Filling Station in the Czech Republic	Pg. 7
The Gulf of Mexico Oil Spill Impacts All Companies, Not Just One	Pg. 8
The Old Before the New	Pg. 9
Frescoes Restored to Splendor: Gazprom Export and Wintershall AG Renovate the Church of the Assumption	Pg. 10
Japanese Experts Briefed on Gazprom Export's Strategy	Pg. 10
Discovering Children's "Open World"	Pg. 12
Competition Heats Up on the Ice: Gazprom Export Team vs. Veterans of Czech Hockey Team	Pg. 13

TO OUR READERS:

Eastward Bound: Opening Up New Horizons

Expanding into the Asia-Pacific region constitutes a key component of Gazprom Export's long-term development strategy. "Going east" not only means maintaining our company's legacy of cross-border gas supplies, stable revenues and global partnerships, but also a diversification of our customer base.

Indeed, the launch of LNG supplies from Sakhalin-2 on 18 February 2009 marked Gazprom Group's full-scale entry into the Asia-Pacific market, and it was clearly a milestone in the company's overarching goal to expand global operations. Still, this was just the first step in the promising long-term cooperation with Japan, South Korea and other Pacific Rim countries.

Gazprom Group is pushing for the implementation of the Eastern Gas Program to establish an integrated gas production, transportation and supply system in Eastern Siberia and the Far East, including building up the potential for gas exports overseas. As stipulated by this federal-level program, exports to the region are projected to be 28 bcm and 25-50 bcm of LNG and pipeline gas, respectively, on an annualized basis by 2030.

Gazprom Export is currently negotiating with our Chinese counterparts on a project to build two gas pipelines. Last year, a framework agreement with China National Petroleum Corporation (CNPC) was signed that envisioned an annual shipment of 70 bcm of gas to China. Beijing is encouraging gas consumption and intends to double the share of gas in its energy mix over the next decade as part of a wider push to diversify away from coal, the cheapest yet dirtiest fossil fuel.

At the end of September, Gazprom Group and its Chinese partners signed

the Extended Major Terms of Natural Gas Supply from Russia to China. This legally binding document sets the key commercial parameters for the forthcoming natural gas deliveries to the Chinese market via the "western" route: the volumes and the timeframe for export startup, the take-or-pay level, the supplies buildup period and the guaranteed payment level.

The final contract, which stipulates a period of up to 30 years and a supply

Global gas demand is gradually reaching pre-crisis levels, and new economies in Asia and the Pacific region are positioning themselves as the next key energy market drivers.

volume of 30 bcm of Russian gas per year, is expected to be signed in mid-2011, with first supplies planned for late 2015. The Russian side regards cooperation with our eastern neighbor as "strategically promising."

Then there is Japan, the top LNG importer and the world's fourth largest energy consumer, which makes this country a priority for Gazprom Export. Japan consumes about 80 bcm of gas annually and the share of gas in the

Continues on page 11

Strategic Expansion in the Asia-Pacific Region

Elena Burmistrova, Managing Director of Oil, Petroleum and Petrochemicals, Gazprom Export



Elena Burmistrova's portfolio of responsibilities includes export of gaseous sulphur, petroleum, oil products, liquefied

hydrocarbon gas and petrochemicals, as well as opening up new markets, particularly in the Asia-Pacific region, trade in quotas on CO₂ emissions, marine transportation of LNG and a number of other activities within Gazprom Export.

Blue Fuel: How efficient is Gazprom Export in promoting Russian LNG in Asia-Pacific countries? Is it valid to say that Gazprom Group was late in entering this vast and promising market?

Elena Burmistrova: No, we are not late. Countries in this region are traditionally the biggest LNG consumers. In 2009, under the influence of the global financial crisis, demand for LNG in key consumer countries (Japan, Republic of Korea, Taiwan) decreased by 6%, reaching 99 million tons of LNG. Nevertheless, the prospects for the Asia-Pacific region as a rapidly advancing consumer of gas are encouraging. This is primarily due to the growing economies of the region's developing countries, particularly China, India, Pakistan, Bangladesh, Thailand and Vietnam.

Against the backdrop of consumption slowdown on the global market, volumes contracted to other markets were redirected to India and China. For example, volumes of LNG from the Sakhalin-2 project that were contracted by the 100% subsidiary of OAO Gazprom — Gazprom Global LNG for supply to the U.S. — were ultimately sold to China and India.

It is no secret that the potential of demand growth in the region, according to forecasts, is associated with rapid development in these two countries. By 2020, gas consumption in China is projected to increase by more than 300 bcm. Import volumes of both pipeline gas from Central Asia, Myanmar and LNG from various sources contracted by China are rapidly growing. At present, China contracted LNG volume equivalent to more than 40 bcm of natural gas.

Negotiations between Gazprom Group and CNPC are making headway. In late September, an important document was signed: the Extended Major Terms of Natural Gas Supply from Russia to China. As for India, natural gas consumption is projected to be 110 bcm per year by 2020. In 2009, 8 million tons of LNG (about 11 bcm of gas) were imported. By 2020, LNG imports could reach about 25 million tons per year (about 33.7 bcm).

Blue Fuel: What is the current productivity of the Sakhalin-2 project and what do you expect in the near future?

Elena Burmistrova: The LNG plant's capacity is 9.6 million tons of LNG per year (about 13 bcm). Consumers in the Asia-Pacific region contract 100% of production (Japan - 64%; Korea - 16%; West Coast of the U.S. - 20%). When the plant starts operating at full capacity by the end of 2010, Russia will take 4% of global LNG production, and moreover, the share of LNG deliveries from Russia will reach 8% of the total LNG imports of Japan and 6% for South Korea.

Within seven months of this year, 5.8 million tons of LNG and 3.7 million tons of oil were sold. Gazprom Global LNG is the product buyer with a contract volume of about 0.9 million tons. The volumes are contracted to the U.S. market; however, they are still being redirected to the main buyers in the Asian region.

Blue Fuel: What role do you see in Gazprom Global LNG, registered in the U.K. on 22 August 2008 playing?

Elena Burmistrova: This company is the subsidiary of Gazprom Marketing & Trading, which in turn, is a subsidiary of Gazprom Group, in charge of putting together the LNG portfolio. LNG will be supplied both from projects with strategic participation of Gazprom in Russia and abroad, and from sources not directly involved in their development.

In my opinion, this policy will not only achieve synergy from the optimization of gas flows from different projects, but will also ultimately help Gazprom Group receive a significant share of the global LNG market. This is a concrete example of benefits of centralized management in this business: combination of operations on LNG trade and management of a fleet of tankers and gas carriers will enable rapid redirection of LNG to premium markets with full control over transportation.

Moreover, there is a possibility of conducting arbitrage operations with LNG between the basins of the Pacific and Atlantic oceans, i.e., the use of a price difference in different regions of the world. The strategic advantage is obvious. Currently, Gazprom Global LNG is actively developing a branch on marine transportation; three LNG tankers have already been chartered.

Blue Fuel: You opened an office in Singapore; does that mean you are planning to shift your major business operations to the southern countries in this region?

Elena Burmistrova: Not at all. The leading partners and clients in the Asia-Pacific region will remain the same. With respect to Gazprom Marketing & Trading Singapore, registered on 19 October 2009, it is designed to enhance trading operations, including those with

Continues on page 7

Record Operations for Blue Stream

The Blue Stream gas pipeline is designed to transport Russian natural gas to Turkey across the Black Sea, bypassing third countries. Blue Stream has substantially increased the reliability of gas supply to Turkey, thus developing the country's gas market and gas infrastructure. The total length of the Blue Stream gas pipeline is 1,213 kilometers.

Turkey Received 50 bcm Through Blue Stream

The Gazprom Export representative office in Krasnodar announced that 50 bcm of natural gas has passed through the Beregovaya compressor station since the launch of the Blue Stream pipeline.

"50 bcm" Stanislav Babin, head of the Krasnodar office notes, "is it a lot or not very much at all? While not a huge volume by Gazprom's standards, this record displays the successful operation of Blue Stream. At the very beginning of the project, there were intense debates because there was no experience in offshore pipeline construction, especially in such complicated 'terrain' and awesome depths as the Black Sea. But thanks to innovative technologies and active cooperation between Russian and international specialists, gas started to flow to the Turkish coast and the pipeline started to build up its capacity."

The Beregovaya compressor station was officially commissioned at the end of 2006; however, it was already part of the gas transportation route to Turkey

in 2005 (Figure 1). In January 2006, 10 bcm of Russian gas passed through the Beregovaya station, but the pipeline increased its capacity by 2 bcm annually, eventually reaching the designed production capacity of 16 bcm during the plateau period.

Gazprom Meets Turkey's Increased Gas Demand

The Blue Stream pipeline is securely supplying blue fuel to Turkey and is meeting the increased demand under extraordinary conditions. The Iran-Turkey gas pipeline explosion on 25 August in the Agra region pushed Turkish demand for Russian gas even higher, and Turkey requested Russia to help close the gap.

According to Gazprom spokesman Sergei Kupriyanov, the company transported 436 mcm between 25 August and 4 September, increasing gas volumes to Turkish consumers via the Blue Stream pipeline. "It is not the first time Gazprom has met the request of Turkish partners and increased daily volumes in the case of a disruption or other problems with receiving gas from other sources. We are always ready to help our partners in the future and will continue to be a reliable supplier," said Kupriyanov.

During the 2009 transit crisis when Russian gas flow to Europe via Ukraine was disrupted, supplies of gas to Turkey were redirected through the Blue Stream pipeline.

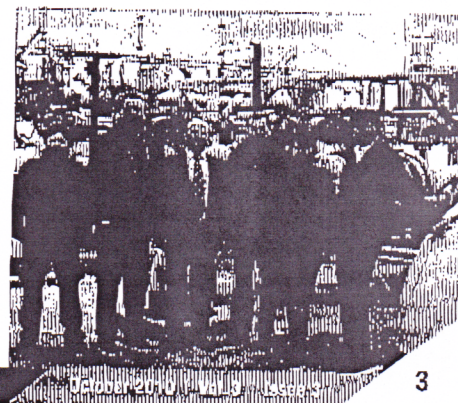
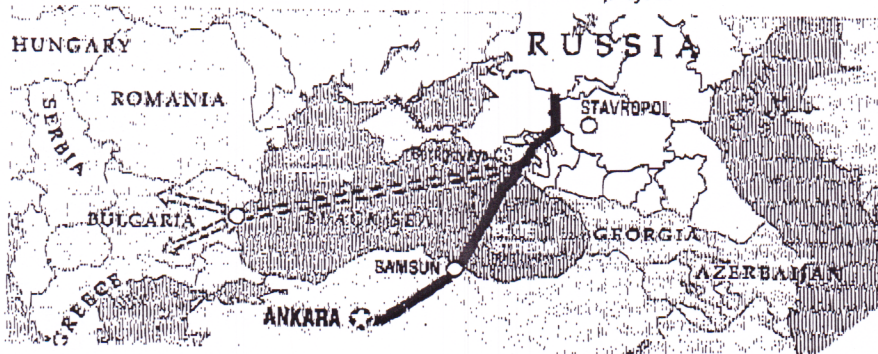
15 Cargoes of LNG to be Purchased From GDF SUEZ

This September, Gazprom Global LNG and GDF SUEZ concluded an agreement for the purchase and sale of 15 cargoes of LNG over a two-and-a-half year period. Under this deal, Gazprom Global LNG will purchase 15 FOB cargoes of LNG from GDF SUEZ, or around 0.9 million tons. The cargoes are intended to be sourced by GDF SUEZ from Egypt, with the first one planned for early 2011.

Frédéric Barnaud, President and Managing Director of Gazprom Global LNG, said, "We have experienced tremendous growth of our LNG portfolio over the last couple of years, particularly in developing our Asia-Pacific basin activities. This deal further strengthens our position as a world-class LNG marketer on both sides of the Suez Canal and active participant in the LNG shipping market. We are delighted to extend our close cooperation with GDF SUEZ through this term contract and look forward to developing our relationship further."

Philip Olivier, President of GDF SUEZ LNG, said, "This transaction is an opportunity for GDF SUEZ LNG, one of the largest LNG importers in the world, to extend its LNG customer portfolio and deepen the long-term relationship with Gazprom, already covering pipeline supplies, energy savings and efficiency, staff training and development."

Figure 1: The Blue Stream pipeline and the South Stream project



EU Third Energy Package Implementation Should Focus on Transparency and Investor Relations

Anatoly Dmitrievsky, Director of the Institute of Oil and Gas Studies of the Russian Academy of Sciences



The EU's Third Energy Package, as interpreted by the European Commission, will require gas producers to relinquish all control over gas transmission systems.

This policy of "ownership unbundling" signals a major change in the structure and management of Europe's gas supplies, with potentially far-reaching consequences ranging from significant disturbance to Gazprom's relations with its many EU partners and affiliates to long-term implications for the security of EU gas supplies.

Gazprom and its various European partners made substantial investments in the infrastructure needed for Europe's gas supply to European security. Concession of these assets to other players in the market raises complex questions regarding the terms of fair and equitable compensation.

Unbundling of ownership must be fair and transparent, respectful of the interests and rights of the legitimate owners of the assets. The gas industry has made no secret of its concerns over the policy the EU is following. The basic aim is to replace a stable and orderly system, which has delivered secure supplies for decades with one dominated by the interests of third-party intermediaries and market traders, with all the scope for the kind of speculative behavior whose disastrous consequences we have seen on the financial markets. While a great deal of time and effort has been devoted in Brussels to devising regulations, which limit the operation of gas suppliers, little attention appears to have been given to the supervision and management of the new trader-based system.

There must be serious doubt whether such a system can possibly deliver the EU's energy policy goals. It is expected that demand for gas is going to grow in the medium to long term, requiring adequate infrastructure to supply it. Massive capital investments are needed to bring gas from remote and often inhospitable regions such as Russia's North. One is bound to ask how such projects are to be financed if those with the most direct commercial interest in them are not allowed to participate.

EU energy policy does not reflect this dilemma. The new Independent owners of transmission systems will have to commit themselves to building new pipelines conceived by the European Commission. It is far from clear what commercial incentives would attract investors, the amount currently allocated being insufficient.

More significantly, the Third Energy Package allows for the rules on ownership of and access to pipelines to be relaxed where new infrastructure is being built, albeit for only a limited period. Although the processes for obtaining such derogations are complex and thorny, they amount to an implicit recognition that new pipelines will not get built unless gas suppliers instigate and finance them. However, without the ability to earn a reasonable return and have an effective

say in the management of pipelines, suppliers will be reluctant to undertake such major investments and will seek markets offering better returns.

The Third Energy Package will therefore leave the EU in a more complex and uncertain situation with regards to gas supplies, particularly on the need for suppliers to plan and construct in the long term. It does not take into account the interest of producers and consumers in an equal way who need predictable volumes of gas and prices set in accordance with objective criteria, rather than dictated by volatile spot markets.

Predictable volumes and prices have served the interests of Europe for decades. It is significant that the only EU country that has already embraced the Third Energy Package approach of "ownership unbundling," the UK, has faced serious anxieties over maintaining adequate gas supplies in recent winters because its liberalized energy markets have failed to provide incentives for new infrastructure investment at the right time.

It is not, as often stated, a matter of much talked-about Russian monopoly on EU gas supplies. Russia provides only 26% of gas deliveries in the EU, and this gas should withstand competition from other energy sources and gas suppliers. What is a matter of concern, however, is the fragmentation of a system of proven efficacy and mutual benefit for essentially theoretical reasons.

I would therefore expect both Gazprom and the Russian government to watch the implementation process very closely, with the aim of ensuring that the resulting damage to their interests and those of their partners and customers is no more than absolutely necessary. I would also hope and expect that they would be given the opportunity to make a robust contribution to the review of the Third Energy Package, which is scheduled for 2013.

Gazprom and its various European partners made substantial investments in the infrastructure needed for Europe's gas supply to give Europe security.

Natural Gas: Environmentally-Friendly Energy



European energy provider **WINGAS GmbH & Co. KG** is active in natural gas trading and distribution in Germany, Belgium, France, the U.K., Austria, the Czech Republic and Denmark. Via its subsidiaries' pipeline network, which is more than 2,000 kilometers long, WINGAS group connects the major gas reserves in Siberia and in the North Sea to the markets in Western Europe. The German-Russian joint venture between Wintershall and Gazprom calls for natural gas to play a stronger role in the European energy mix.

Below is an interview with **Dr. Gerhard König, Chairman of the Board of Directors of WINGAS**, regarding the venture's commercial activities in the Belgian energy market.

Blue Fuel: WINGAS stresses the role of new business with Germany's European neighbors, especially in Belgium. How has WINGAS developed its business there since its market entry in 2003?

Dr. König: Despite facing strong market barriers back then, we started our business very optimistically – and really boosted competition when the market opened in 2004! Today, we have achieved some very ambitious goals: with a total

sales-volume of around 1.6 billion cubic meters of natural gas, we have reached a market share in Belgium of about 7%. Our subsidiary WINGAS Belgium closed nine supply contract agreements in 2009 alone and currently provides around 40 Belgian sites with natural gas. In the Industrial customer segment, we performed even better, achieving a market share of 15%, and with our new customer Nuon, we recently became more active in Belgium's reseller segment.

Including the low-calorific gas market, which we just began supplying, we are confident we'll be able to reach 10% of market share in the medium term. This expansion corresponds with our overall European development. Today, our international sales account for 45% of the total sales, making us a real European player.

Blue Fuel: On the supply side, WINGAS is facing strong competition from Europe-bound LNG. Prices are under pressure as well as the link between oil and gas prices. How do you meet this challenge?

Dr. König: Trading at the spot markets in Europe has surely become more important. We also use the spot markets in northwest Europe to optimize our sales and procurement portfolio. Nevertheless, considering the needs of power plant operators as well as the needs of the industry in general, one thing should be kept in mind: companies are not only interested in a good price, but also in a secure supply of gas. Therefore, the linkage between oil and gas prices will remain as important for the energy markets in the future as it is today.

The producers of LNG are probably not interested in the current price levels on the spot markets. Otherwise, they would not be able to justify their big investments in LNG terminals. The dive in prices on the spot market only delays further investments in the LNG infrastructure. So, with the decrease of production in Europe, and the growing

demand in Asia, prices are bound to consolidate. Bargain hunting would leave Europe's long-term energy needs behind at this point.

Blue Fuel: So, what is your answer to the situation?

Dr. König: On the one hand, we have strengthened our position in the gas trading market and the spot markets, and on the other hand, we have built up our infrastructure. WINGAS and its subsidiaries will spend around 600 million euros in the development of the European pipeline and storage infrastructure this year: 300 million euros will be invested in the OPAL pipeline, which will pick up Nord Stream gas and distribute it in Europe. In addition, we are constructing natural gas storage facilities: the second extension phase for our Austrian storage facility in Haidah has begun and in Germany's Jemgum, close to the Dutch border, we are building a new cavern storage facility.

However, for investments like these, we need a clear signal from policymakers. We expect sensible decisions and reliable framework conditions from Brussels and Berlin. Policymakers should lay the political groundwork for an increased use of natural gas for electricity generation.

Blue Fuel: What makes you so sure that your arguments will be well received?

Dr. König: Mere facts. For example, the important role that natural gas can play in reaching our CO₂ reduction goals speaks for itself. Natural gas emits the fewest CO₂ emissions of all fossil fuels – and it is the only fossil fuel that has a climate friendly future. It's the safety net for solar and wind power since these energy sources are heavily dependent on the weather, and thus are unreliable. The sun and the wind cannot be stored, but natural gas can. In addition, natural gas can be used for decentralized power generation. For all these reasons, natural gas is the energy for the 21st century.

**BLUE FUEL**

Gazprom Marketing & Trading Acquires TruRead: A Leading U.K. Smart Metering Company

Gazprom Marketing & Trading Limited, the U.K.-registered wholly-owned subsidiary of the Gazprom Group, has acquired the remaining stake in U.K. Automated Meter Reading (AMR) services company, TruRead Limited, following an earlier acquisition of a 30% stake in March 2008. This will strengthen TruRead's position as an innovative smart energy management provider and enhance Gazprom Marketing & Trading's portfolio of efficient integrated energy solutions.

TruRead has been a remarkable growth story, growing its U.K. AMR installations from 100 to 1,000 a month between March 2008 and May 2010. By the end of the year, TruRead aims to install 2,000-3,000 smart meters a month. The company's unrivalled customer service and cutting-edge technology have

already gained the confidence of U.K.-based businesses, such as McDonald's and Bristol Council.

Among the key benefits offered by smart meters is the ability to measure consumption, reduce energy bills and debt risk, and contribute toward the overall reduction of carbon emissions. Once smart gas meters are more widespread across industries, energy providers will be able to introduce new tariffs that encourage lower energy usage at peak periods.

Current U.K. and EU legislation on emissions and utilities promotes smart metering products and TruRead is in a good position to take advantage of this market development. TruRead products — such as complete end-to-end data collection and delivery enables the remote monitoring of resource

consumption, energy project and consultancy management, and fully automated and low-powered radio logging equipment. While the U.K. remains a key target market for TruRead, the company is looking at opportunities to expand into other markets worldwide, with products already being sold in Ireland, France and Singapore, and the wider Asian market and Southeast Europe are also showing significant promise.

During the past two-and-a-half years, Gazprom Marketing & Trading has worked with TruRead to develop cutting-edge smart metering technology, which will enable customers to monitor their energy consumption and save on their energy bills. This deal is a testimony to how successful cooperation with

Continues on page 9



Gazprom-Infinite Earth Carbon Credit Deal is a Game Changer in Forest Conservation

Gazprom Marketing & Trading (GM&T) and InfiniteEARTH, a pioneering carbon credit company, together have taken a major step forward in efforts to reduce greenhouse emissions caused by deforestation. The two organizations recently approved the first-ever methodology to measure the amount of emissions reduced by projects that avoid deforestation and degradation (known as REDD). The new methodology was developed in conjunction with the Voluntary Carbon Standard (VCS) program, the leading international standard for voluntary emission reduction credits. This is a landmark moment for the carbon market.

Historically, REDD projects have languished due to their exclusion from

the Kyoto Protocol and the lack of a credible third-party approval process. That's all set to change.

The new methodology, which was successfully approved by two independent auditors — the Rainforest Alliance and Bureau Veritas Certification — under VCS's methodology approval process, will set a global standard for REDD projects. The methodology was developed by InfiniteEARTH and written by Winrock International, with funding provided by GM&T and the Clinton Foundation.

The new methodology was designed for conservation projects that avoid planned land-use conversion in tropical peat swamp forests in Southeast Asia. InfiniteEARTH is currently applying

the methodology to its first project, the Rimba Raya Biodiversity Reserve, which is located on the island of Borneo in Central Kalimantan, Indonesia. The project is now undergoing third-party validation and is positioned to become the world's first VCS-approved REDD project later this year.

The Rimba Raya project is comprised of nearly 250,000 acres of high-conservation value tropical peat swamp forest and wetlands. The Reserve forms a critical buffer to the Tanjung Puting National Park, an area that was under imminent threat of conversion by encroaching palm oil plantations. The conversion of peat swamp forests,

Continues on page 8

Strategic Expansion in the Asia-Pacific Region

Continued from page 2

certificates for CO₂ emissions, as well as create a regional base to support the commercial and technical aspect of operations on marine transportation.

Opening an office in Singapore is a logical step since the geography of our business in the region is vast. Suffice it to say that in the period from 2006 to August 2010, Gazprom Marketing & Trading, Gazprom Global LNG and Gazprom Marketing & Trading Singapore sold 63 consignments of LNG with supplies to the Asia-Pacific region: Japan – 23 cargoes; India – 6 cargoes; China – 5 cargoes; Taiwan – 7 cargoes; Korea – 11 cargoes; USA – 6, etc.

Blue Fuel: Does the increased attention to the Asia and Pacific markets signal a change in priorities, in terms of a relative devaluation of traditional European markets for the company?

Elena Burmistrova: Not at all, Europe remains, and in the years to come will remain, the main export market for Gazprom Group. Nevertheless, the global trend of changing business models and export strategy is largely focused on the notion of "diversification." We are also diversifying our business: we diversify the range of our export products and customer base to optimize revenue and strengthen our position among the leading players in the global energy market.



WINGAS Storage Received Consent for Saltfleetby Development

The U.K.'s need for more gas storage has been apparent for some time, so it was a welcomed development when WINGAS Storage U.K. Ltd ("WSUK") received consent from the U.K. Secretary of State for Energy and Climate Change to develop its depleted gas field at Saltfleetby, Lincolnshire into an underground storage facility for natural gas. The U.K. has storage capacity of only 4% of its annual consumption, significantly below the average for the larger gas consuming countries of Europe, creating risks to the continuity of supplies.

U.K. Energy Minister Charles Hendry said, "As the U.K. becomes increasingly dependent on imported gas, this government has made it a priority to ensure secure gas supplies. We will introduce measures in the Energy Security and Green Economy Bill to encourage not only more gas storage, but greater gas import capacity."

Dr. Frank Tauchnitz, WSUK's Managing Director, said, "We are delighted that the Secretary of State has reached this decision after careful consideration of

our proposal. The Consent represents the successful culmination of a long and detailed process. We are pleased that during this period we have developed and maintained a good relationship with the community in and around Saltfleetby. WINGAS Storage U.K. Ltd will now proceed with the process to take the final investment decision. Storage operations are planned to start in 2013."

Underground gas storage is largely carried out in either a depleted reservoir or in caverns specially created in salt strata. Saltfleetby is a depleted reservoir with the gas-holding strata some 2.3 kilometers below ground level and was formerly the largest onshore gas field in the U.K. When filled, it will hold 755 mcm of gas, which will normally be released in the winter over a period of about 100 days. Re-filling will be carried out in the summer.

Saltfleetby is in Lincolnshire, 9 kilometers east of Louth and a similar distance from the National Transmission System entry point at Theddlethorpe, to which it will be connected by pipeline.

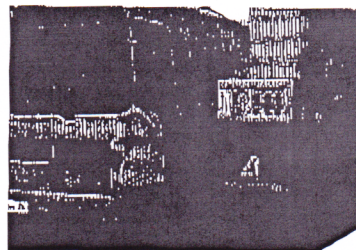
VEMEX Launches CNG Filling Station in the Czech Republic

VEMEX s.r.o., together with GASCONTROL s.r.o., has launched its first compressed natural gas (CNG) filling station intended to fuel cars and other vehicles with CNG. The station is located at Havlířov - Suchá and can fill 30 cars and eight buses per hour.

The use of CNG as motor fuel is a strategic objective for both companies because it allows for a more efficient use of the country's complex and changing fuel and energy infrastructure, reduces consumption of petroleum products and contributes to environmental protection from the harmful effects of road transport by using a more natural gas.

"Participation of our companies in such projects underlines the importance of natural gas as a clean source of energy. The use of CNG as a motor fuel will help solve one of the strategic objectives of ensuring energy conservation in the 21st century," said Vice President of Marketing for VEMEX s.r.o. Hugo Kysilka.

The strategic plan for VEMEX s.r.o., under the existing program of Gazprom Group, includes a systematic search for investment opportunities to further develop CNG filling stations in the Czech Republic.



The Gulf of Mexico Oil Spill Impacts All Companies, Not Just One

Diego Gavagnin, co-founder of Italy's main energy outlet Quotidiana Energia, is currently an independent consultant on energy issues



The devastating Deepwater Horizon platform accident – one of the 4,000 drilling platforms in the Gulf of Mexico – shocked the public and industry experts alike, but it was only the latest and largest in a history of offshore platform accidents.

It's widely accepted that offshore drilling is a complex industrial operation that cannot safeguard against all human error and manufacturing defects. What made this accident so devastating, however, was the discharge of oil coming straight from reservoirs directly into the sea, at a depth of 1500 meters. The most recent estimates report that five million barrels of crude oil were lost, equal to almost the entire daily production of the U.S.

The absence of catastrophic incidents over a long stretch of time had induced a false sense of security among major drilling players in the Gulf. Ultimately, this overconfidence seems to have been at the root of the Deepwater Horizon disaster. The rush to complete the exploratory phase in order to rapidly move to production, set the disaster in

motion, while the failure to fulfill a long list of rules deemed unnecessary did the rest.

The public "call for ideas" launched by BP on 20 May underscored the weakness of the security and disaster preparedness analysis carried out prior to the exploration works. Worse still, parts of the accident were predictable: the error in the density of the containment mud, as well as the breaking of the seabed valve. Moreover, the collapse of pipes by breaking the base should have been foreseeable.

But as the oil industry looks ahead, they will continue to confront new challenges as new offshore fields are increasingly deeper and deeper and more difficult to operate, and onshore fields are much

Continues on page 9

Gazprom-Infinite Earth Carbon Credit Deal is a Game Changer in Forest Conservation

Continued from page 6

in addition to releasing millions of tons of carbon dioxide, would destroy the habitat of a wide range of flora and fauna, including the endangered Bornean orangutan.

"The approval of a methodology like this has real potential to be a game changer in forest conservation and the associated mitigation of global climate change," commented Keith Martin, the Commercial Director of Gazprom Marketing & Trading. "For too long, a lack of consensus on quantification of emission reductions from project based REDD has hampered action from the ground up."

"Now, between the Clinton Foundation, Winrock, Rainforest Alliance, BV and the organizations that sit on the VCS panels," Martin continued, "you have a who's who of experts agreeing on a robust method of accounting for emission reductions. With these tools now available, the gauntlet is thrown

down to the negotiators at Cancun to now come up with the necessary legislative and regulatory frameworks to promote widespread action from the community level up."

Birute Galdikas, President of Orangutan Foundation International (OFI), said: "Rimba Raya will provide a safe area for the release of more than 300 rehabilitated orangutans that OFI currently has at its care center and provide a much needed physical buffer to the Tanjung Puting National Park where Camp Laakey is located... It couldn't have come at a better time - we were running out of options."

"For too long this issue has languished exclusively in the halls of academic debate," said Todd Lemons, Chairman & CEO of InfiniteEARTH Limited. "Though this is only the first step in the long journey to saving the world's diminishing bio-diverse rainforests, the successful double validation of this

methodology gives the world a tool that allows us to shift into action – before it's too late."

"This is a major milestone – not just for forests but for the climate," said David Antonioli, CEO of the Voluntary Carbon Standard Association. "This methodology has gone through a rigorous review and its approval means the carbon market can now help protect forests worldwide, which we know is necessary to stop climate change."

"This innovative methodology was developed to be both scientifically rigorous as well as practical for project developers to implement," said Winrock International's Dr. Nancy Harris.

Details regarding the Rimba Raya REDD project and the methodology can be found at <http://www.gazprom-mt.com/ourbusiness/carbon.asp>.

The Gulf of Mexico Oil Spill Impacts All Companies, Not Just One

Continued from page 8

more invasive than in the past. If the technical challenges increase, the culture of safety must also increase. This means that energy companies must step up efforts to regain confidence among the general public, through measures including safety analysis, detailed accident response scenarios applicable to any condition and depth, respect of the rules by workers and independence of auditors.

At the end of the day, the Deepwater Horizon disaster resulted in widespread distrust in both technology and the oil industry's ability to design and manage complex security systems.

This catastrophe may well have an impact on the global energy sector as a whole, because the further the distrust in the energy industry spreads, the more we may face opposition to the creation of any new infrastructure.

This could be of particular importance in Europe, where due to the sharp decline

in domestic production, increasing gas imports will require new transport infrastructure in the coming decades.

Nevertheless, the recent accident and the public angst it created, might play in favor of gas, provided that gas companies are able to remind their audiences of a few unquestionable facts:

- Conventional gas does not raise the same risks as deep-sea exploration
- The world will still need fossil fuels, especially gas, as it produces much lower carbon dioxide emissions than oil, for many years to come

The Gulf of Mexico accident does concern all energy companies, and its legacy could affect the energy sector everywhere, even longer than it will take for the Gulf of Mexico ecosystem to recover.

Gazprom Marketing & Trading Acquires TruRead

Continued from page 6

another company has allowed TruRead to successfully deliver safe, competitive and efficient smart metering solutions.

Keith Martin, Commercial Director of Gazprom Marketing & Trading said: "I am very pleased that our partnership with TruRead over the last two-and-a-half years has delivered a unique set of energy management market-oriented propositions. We believe in TruRead's potential to become the market leader in energy management services in what is a highly competitive market.

Together, we can deliver real bottom-line benefits to our customers on a global scale in terms of energy and cost savings, in addition to enhanced customer experience. The combination of Gazprom's significant expertise in

understanding its corporate customers' needs, and TruRead's market leading technology, will make for a "winning business formula."

Simon Slater, Founder of TruRead, said: "We are very excited about this development. We are certain that Gazprom Marketing & Trading's expertise and support will enable us to deliver more affordable and integrated smart energy solutions to our growing customer base. In addition to the driver provided by current U.K. legislation making smart meters mandatory, our partnership will also allow us to expand our footprint of activities globally, and enable consumers in other markets to benefit from the energy solutions pioneered here in the U.K."

The Old Before the New

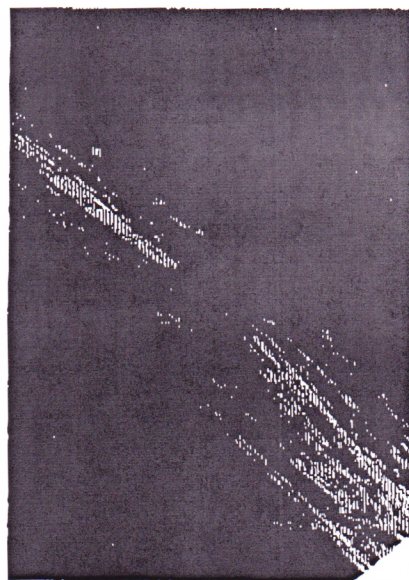


Photo: Michael Hölschen

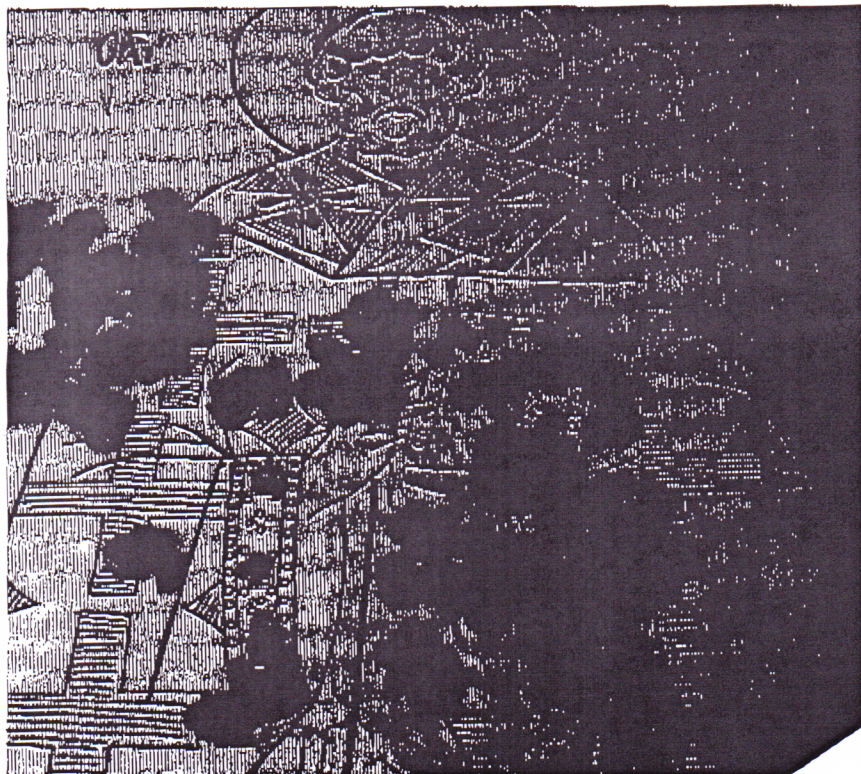
For 200 years, a 1.6-meter-wide oak tree has been firmly rooted in Germany's Brandenburg soil – and now it will stay there. The tree was originally scheduled to be cut down to make way for one of Europe's largest natural gas projects currently underway in the east of Germany: the OPAL natural gas pipeline.

This pipeline will connect the Nord Stream Baltic Sea pipeline with the European pipeline network. It will stretch more than 470 kilometers from the Baltic Sea coast to the Ore Mountains, crossing 172 roads, four highways, 27 railway lines, 39 larger water areas, extensive farm land and some forest areas along its route.

However, following negotiations among the construction firm, landowners and foresters, the pipeline track has been moved a few meters to save the tree and will now make its way around the tree. The old must come before the new, after all.

Frescoes Restored to Splendor:

Gazprom Export and Wintershall AG Renovate the Church of the Assumption



Gazprom Export, together with the German company Wintershall AG, recently launched a new training initiative tied to the ongoing restoration project for the Church of the Assumption in the Volotovo field, a 14th Century architectural masterpiece. The temple is located a few kilometers from Novgorod, and is a treasure trove of ancient architecture. The new initiative will build upon this longstanding bilateral goodwill effort, and enable Russian restorers to learn the latest techniques from their German counterparts.

The historic Novgorod church suffered terrible damage during World War II (1941-1945). In the first months of the war, this Orthodox church found itself on the defensive line where Soviet troops came under direct fire from German artillery. The building was almost completely destroyed. Frescoes covering about 350 square meters were hit during the bombing, and the walls later fell, leaving the remnants of the paintings buried underneath. Only the outline of the walls, and pillars to a height of two-to-four meters, remained.

In 1955, the remains of the church were preserved. The outside of the church was completely cleared of soil and destruction debris. Despite the conservation of the building, the mural paintings were considered lost. For half a century, the frescoes were mixed in with the rubble of the walls, slowly degrading from dampness.

In December 1992, this unique structure was included in the list of UNESCO World Heritage Sites. Novgorod restorers started to work on the site in August 1993. At the time, their main task was to dismantle and remove the debris and remains of frescoes. Restorers manually sifted tons of stones, earth and garbage through a sieve, to collect all the rich, opulent remnants of the painted masterpieces.

Japanese Experts Briefed on Gazprom Export's Strategy

Recently in Moscow, Alexander Medvedev, Gazprom Export CEO, hosted an 18-member delegation of prominent Japanese political scientists, economists and journalists specializing in Russian studies. Among the

topics covered during the hour-long discussion were cooperation between Gazprom and Japanese companies in the Sakhalin-2 project, partnership opportunities in Russian LNG and offshore projects, the future of shale gas and Gazprom's market position following the global crisis.

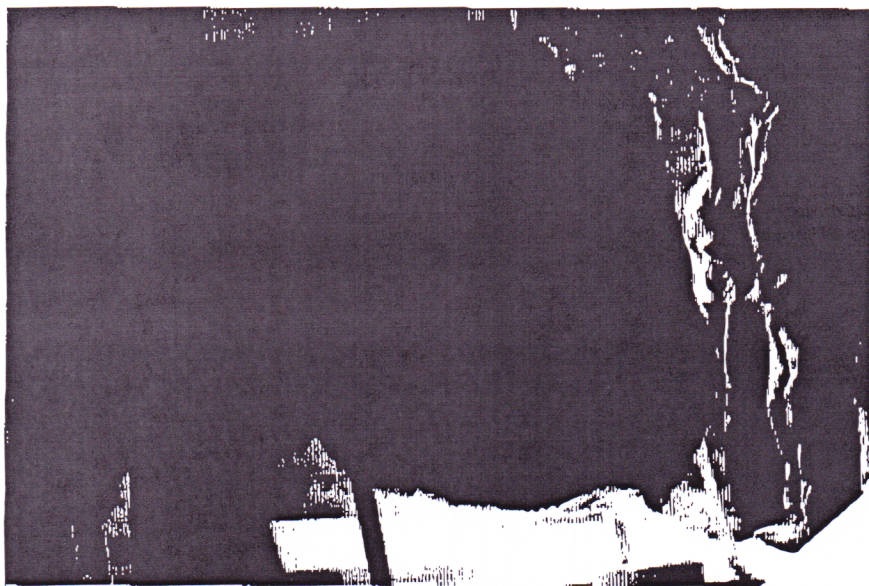
"Among our customers one can find not only enterprises but also retail customers, including football clubs. But so far not a baseball club," said Medvedev while answering a question about Gazprom's market potential.



Continues on page 11

Frescoes Restored to Splendor

Continued from page 10



Over the course of seven summers, the craftsmen found thousands of fresco fragments ranging in size from several centimeters to several millimeters.

A full-scale restoration began in 2001, when Russia and Germany signed an agreement to restore the old Russian church and its frescoes. In recent years, Novgorod restorers have recovered more than 1.5 million pieces of paintings, dated 1352-1363, from the site. They have found more than 250,000 matching pieces. Prior to destruction, the monument had 195 full-size compositions. Experts hope to revive from 50%–80% of the monumental paintings. A unique computer technology is helping the fresco restorers.

Since 2001, German colleagues and restorers have come to Novgorod each summer. The first of the murals — of the martyr Procopius — was returned to its former place in the church in the summer of 2008. In 2009, the murals "Dream of Jacob" and "Medallions" with pictures of martyrs Nikita and Joseph were restored within the church. The main event in 2010 was the return of

murals with images of the Archangel Michael and the Prophet Zechariah; these murals cover an area of about four square meters. The frescoes were mounted very close to the original locations prior to the collapse. As of today, the restoration effort is nearing completion.

The new initiative, put forward by Gazprom Export together with German partners, will encompass an advanced training program for Russian restorers. The program, designed to last for two years, is expected to include annual master classes where German experts will introduce Russian colleagues to the restoration techniques and materials that have been developed in research laboratories in Germany.

In June 2010, the first workshop was hosted in Novgorod. Participants remarked that the opportunity to share experiences with the restoration school in Germany was extremely useful. It has allowed Russian colleagues to have access to new knowledge and modern technologies, which will later be used to restore monuments in Russia.

To Our Readers:

Continued from page 1

Japanese energy mix is expected to rise from the current 14%. All of Japan's imported gas is shipped in the form of LNG, and Gazprom Group expects to become a major supplier through cooperating under the Eastern Gas Program and new projects like the planned Vladivostok LNG Plant.

Gazprom Group is aiming to meet 17% of Japan's LNG demand, a realistic goal considering the anticipated flow from the future LNG terminal in Vladivostok and supplies from Sakhalin-2, which are already on stream. The Vladivostok terminal will ship 5 million tons of output to Japan annually, which could later be ramped up to around 10 million tons, accounting for 7.5% of the country's total LNG imports. The remaining volume of 6 million tons per year will come from Sakhalin-2. It is worth noting that all of the LNG volumes from Sakhalin-2 are contracted on the basis of long-term contracts for a period of 20 years or more.

Global gas demand is gradually reaching pre-crisis levels, and 'new economies' in Asia and the Pacific region are positioning themselves as the next key energy market drivers. And yet, the beginning of these partnerships should in no way imply a displacement of our proven and time-honored relationships in Europe. One needs to look no further than Nord Stream and South Stream to be assured of our company's global strategy.

We at Gazprom Export recognize that in order to achieve optimal commercial success, we cannot subscribe to simply an "either-or" model, but rather endeavor to bring together and capitalize on the best of both worlds: the West and the East.

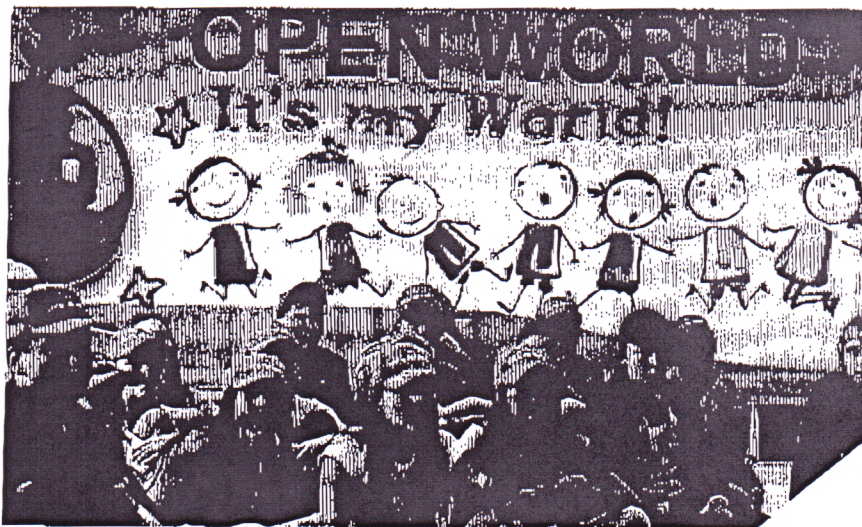
Discovering Children's "Open World"

Learning was in full swing from the very first day of the international integration arts camp in the town of Frankenfels, Austria. This year, the camp, which is part of the international children's social and charitable "Open World" project, hosted children from a variety of different social groups, including: the disabled, children from low-income families, "troubled" teens, orphans and children of migrants and refugees from international "hot spots."

For the second year running, the project was organized by the Austrian non-profit organization Energy for Life — Social Foundation. The general trustee of this project in Austria is Gazprom Export, which together with its partners — OMV, Centrex, GWH and Econgaz — managed to successfully position this project as a serious long-term social and philanthropic program.

The project also called for the establishment of the children's media group "Open World," which includes radio, television and newspaper components. Under this program, the children formed an editorial board and worked on the first issue of the "Open World" newspaper. They learned the basic skills of journalism by acting as real-life reporters, interviewing their peers and managers. Through the use of photography, they were also able to document the birth of their new "Open World" family.

Other children participating in the camp were also involved in specialized hobby groups. For example, some children had previously attended film schools in their native countries. So, with a passion to create their own movie about camp life,



they formed an international film crew under the guidance of professional staff. Other children formed dance groups.

Professional educator and chief specialist of the Environmental Society of Lower Austria, Andrea Weiss, was involved with the children environmental training program "Living Image," which had the children making a large-scale picture from natural materials that they themselves collected from the surrounding forests. The display of this "living picture" was a great success among the guests, who attended the camp's "Open Day."

Following the camp's success in Austria in 2009 and 2010, the project received approval and support from the senior management of the federal land of Lower Austria and Vienna, as well as the patronage of two major international organizations: UNESCO and UNICEF. In

2010, a Curatorium (Board of Trustees) was created by public figures in Austria, which significantly increased interest in the project from specialists of social pedagogy. The result was the creation of a "Student Teaching Laboratory," which conducted educational roundtables. Work is currently underway to integrate the two programs of the project — the children's media group "Open World" and the "Student Teaching Laboratory" — into the European program "Youth in Action Program," which is under the patronage of the European Commission for Youth Affairs.

There are plenty of indications that "Open World" has become a unique, dynamically developing project, and this has been proved once again in the course of the new meeting with young talents held in October 2010 in Germany.



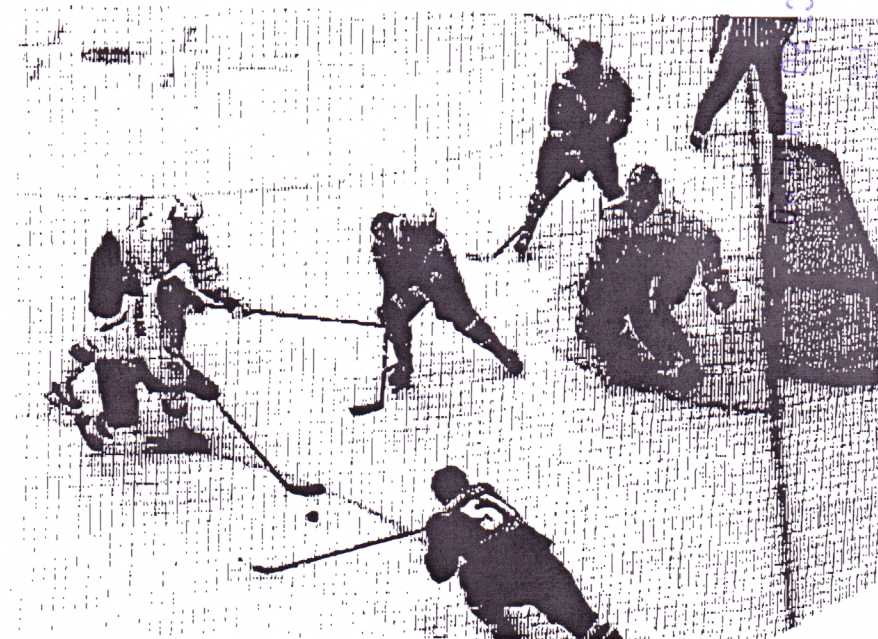
Competition Heats Up on the Ice: Gazprom Export Team vs. Veterans of Czech Hockey Team

"Semi-official" tournaments are good because they allow for some improvisation. That's why hockey fans attending the Khodynka Ice Palace on 3 September had a unique opportunity to see retired Russian and Czech sportsmen compete once again.

Everything went in accordance with the traditions of when time-honored rivals meet: national anthems were played before the match, enthusiastic cheers came from the fans upon hearing the names of their idols, and intense, persistent opposition played out on the ice. At times, it seemed the players had forgotten about their "advanced" age, by hockey standards.

The Russians were the first to attack, scoring a goal within the first five minutes and repeating the success again just 10 seconds later. By the end of the period, the margin had grown by another goal. As experienced sportsmen, the Russian players showed that, even today, they are quite capable.

But it would be a mistake to assume that the game was one-sided. Maxim Mikhailovsky (succeeded by Vladimir Myshkin in the third period) had to work



scathing wrist shots ("flicks," according to the rules for veterans matches, were forbidden).

At the beginning of the second period, an announcement by the judge generated excitement in the stands: the Gazprom Export team was to be joined by its

5:2. But when the clock ran out, the scoreboard showed a different score — 5:3. The visiting team did not benefit by the timeout either, which was taken in the last minute of the game. In a desperate attempt to at least narrow the gap, the Czech goalkeeper was replaced by a sixth outfield player. But these efforts were futile against the skills of Vladimir Myshkin.

The game, on the whole, was disciplined, although the excitement that prevailed on the ice sometimes led the referees to stop play. Calling fouls on players for lifting their sticks in the heat of battle is quite understandable. But on several occasions, the referee had to punish more serious fouls: the Gazprom Export team received a "double small fine for roughness," and the Czech ice hockey players received "a small fine for imitation."

But this did not spoil the experience, nor the camaraderie. In the closing ceremony, there were firm handshakes and pats on the shoulder. After all, the match was a friendly encounter and its participants left, as always, as friends.

Everything went in accordance with the traditions of when time-honored rivals meet: national anthems were played before the match, enthusiastic cheers came from the fans upon hearing the names of their idols, and intense, persistent opposition played out on the ice.

just as hard to defend the gate as his Czech counterpart Marcel Kučera. The goalkeeper showed that he had not lost possession of his stick-handling and trapping skills and that he can still perfectly assess the situation on the ice and quickly react to the hidden but

familiar and brilliant No. 2, Vyacheslav Fetisov. It was no coincidence that the other team immediately felt a sharp attack, and then another and another.

In the second period, it looked like the outcome of the game would be set at

Kotova, Anya

From: Kotova, Anya
Sent: Monday, October 18, 2010 3:44 PM
To: Kotova, Anya
Subject: Gazprom "Blue Fuel" Newsletter

On behalf of OOO Gazprom Export and its parent company OAO Gazprom Group, we are pleased to share with you the latest issue of the company's global newsletter – Blue Fuel. We hope you find the newsletter of interest.

Should you have any questions or feedback, please do not hesitate to contact the Gazprom Export team at newsletter@gazpromexport.com.

To download the file, copy the download key and click the link.

This message has 1 attachment(s) that are located at:
<https://sendit.ketchum.com/RetrieveEmail.aspx?ID=d46f3ba2-5b88-44c3-abee-748e5e77d0e9>

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Files are available to be viewed or downloaded until **10/29/2010**.

Files:
BlueFuel_18 Oct.pdf

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